

**DIRECT TESTIMONY OF**  
**THOMAS F. FARRELL, II**  
**ON BEHALF OF**  
**DOMINION ENERGY, INC.**  
**DOCKET NO. 2017-370-E**

**Q. PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS, AND OCCUPATION.**

A. My name is Thomas F. Farrell, II, and my business address is 120 Tredegar Street, Richmond, Virginia 23219. I am Chairman, President, and Chief Executive Officer of Dominion Energy, Inc. ("Dominion Energy").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A. I earned my undergraduate degree in economics in 1976 and my law degree in 1979, both from the University of Virginia. I joined Dominion Energy in 1995 and have served as an officer of Dominion Energy and many of its subsidiaries. I served as Executive Vice President of Dominion Energy from 1999 to 2003 and President and Chief Operating Officer from January 2004 to December 2005. In January 2006, I was named President and Chief Executive Officer of Dominion Energy and was elected Chairman of Dominion Energy's Board of Directors in April 2007.

In addition to my roles at Dominion Energy, I am the presiding director of

1 Altria Group Inc. and a member of the Board of Directors of AEGIS Insurance  
2 Company. I also serve on the Board of Directors of the Edison Electric Institute,  
3 of which I was Chairman from 2011 to 2012, and served as Chairman of the  
4 Institute of Nuclear Power Operations from 2013 to 2015.

5 I am a former member of the Board of Trustees of the Virginia Museum of  
6 Fine Arts and am Chairman of the Richmond Performing Arts Center. I am past  
7 Chairman of the Colonial Williamsburg Foundation and currently serve on its  
8 board. I am also a past Chairman of the Board of Trustees of the Virginia  
9 Business Council. I am a former member of the University of Virginia Board of  
10 Visitors, where I served as Rector, and am the former Chairman of the Governor's  
11 Commission on Higher Education. I also served on the State Council of Higher  
12 Education for Virginia.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

14 A. Yes, I previously testified before this Commission in the allowable ex parte  
15 communication briefing held on January 11, 2018.

16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

17 A. The purpose of my testimony is to provide an overview of the proposed  
18 transaction whereby the parent of South Carolina Electric & Gas Company  
19 ("SCE&G"), SCANA Corporation ("SCANA"), will become a wholly-owned  
20 subsidiary of Dominion Energy (SCE&G and Dominion Energy together, the  
21 "Parties"). I also will provide an overview of Dominion Energy, affirm the  
22 commitments Dominion Energy is making as part of its application and petition in

1 this proceeding (“Joint Petition”), including the jointly proposed customer benefit  
2 and cost recovery plan for new nuclear development costs associated with the V.C.  
3 Summer Units 2 & 3 Project (the “NND Project” and “Customer Benefits Plan” or  
4 “Plan”), and discuss how the business combination and the proposed Customer  
5 Benefits Plan will benefit SCE&G, its customers, and the citizens of South  
6 Carolina.

7 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

8 A. My testimony is organized as follows:

9 I. Merger and Customer Benefits Plan Summary

10 II. Dominion Energy’s Identity, Management and Experience

11 III. Plan for Future Operations of SCE&G and Combination Commitments and  
12 Benefits

13 IV. Conclusion

14 **Q. WHAT OTHER WITNESSES ARE PRESENTING DIRECT TESTIMONY**  
15 **ON BEHALF OF DOMINION ENERGY?**

16 A. The other witnesses presenting direct testimony on behalf of Dominion  
17 Energy are Mr. Robert M. Blue and Mr. James R. Chapman.

18 Mr. Blue is Executive Vice President of Dominion Energy and President  
19 and Chief Executive Officer of the Power Delivery Group. He will testify  
20 concerning how Dominion Energy plans to operate SCE&G following the  
21 combination, the operational benefits of the combination to SCE&G and its  
22 customers, and the commitments Dominion Energy is making that relate to

1 operational matters.

2 Mr. Chapman is Senior Vice President – Mergers and Acquisitions and  
3 Treasurer of Dominion Energy. He will testify concerning financial information  
4 supporting the proposed combination and will address the key terms of the  
5 Customer Benefits Plan that will be associated with the combination. Mr.  
6 Chapman will also discuss a number of additional commitments Dominion Energy  
7 has made, and describe how Dominion Energy’s financial strength will benefit  
8 SCE&G and its customers.

9 **I. MERGER AND CUSTOMER BENEFITS PLAN SUMMARY**

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMBINATION.**

11 A. On January 2, 2018, Dominion Energy, Sedona Corp. (“Sedona”), and  
12 SCANA entered into an Agreement and Plan of Merger (“Merger Agreement”)  
13 setting forth the terms of the merger. Sedona is a South Carolina corporation and  
14 a wholly-owned subsidiary of Dominion Energy created solely to accomplish the  
15 merger. Pursuant to the Merger Agreement, Sedona and SCANA will merge, with  
16 SCANA being the surviving entity. SCE&G is currently owned by SCANA.  
17 After the combination, SCANA will become a wholly-owned subsidiary of  
18 Dominion Energy, and SCE&G will remain a direct, wholly-owned subsidiary of  
19 SCANA and will continue to exist as a separate legal entity. Dominion Energy  
20 Witness James R. Chapman will provide more details on the transaction.

21 **Q. PLEASE PROVIDE A SUMMARY OF THE JOINT PETITION.**

22 A. The Joint Petition seeks approval of a proposed business combination

1       between Dominion Energy and SCE&G's parent, SCANA. But the combination  
2       is more than a business transaction. This is about the future of energy and  
3       continued economic wellbeing throughout the State of South Carolina. It is clear  
4       that SCE&G is at a critical crossroads in its greater than one-hundred seventy year  
5       history of operations as a South Carolina public utility. The issues surrounding the  
6       Company's recovery of the costs of the now-abandoned NND Project loom large  
7       before this Commission and in public debate. The proposed combination with  
8       Dominion Energy and the associated Customer Benefits Plan present the best  
9       option to achieve the important goals of attempting to ease the burden on  
10      customers of these costs, to the highest reasonable extent, while at the same time  
11      ensuring the future financial viability of this utility and its ability to provide  
12      reliable and cost-effective service to its customers.

13           Even setting aside the NND Project issues, this combination would provide  
14      benefits for SCE&G's customers and the State of South Carolina. Dominion  
15      Energy is one of the largest producers and transporters of electricity and natural  
16      gas in the United States. We already maintain an economic and operational  
17      presence in South Carolina, having invested more than three-quarters of a billion  
18      dollars in the state in just the last three years. Like SCE&G, Dominion Energy has  
19      more than a century of experience operating public utilities, and currently serves  
20      over six million customers in regulated and retail markets. Dominion Energy's  
21      proven leadership team is unfailingly committed to the safe, reliable, cost-effective  
22      and environmentally responsible provision of utility services to its customers.

1 And that commitment will apply equally to its operation of SCE&G once the  
2 transaction is consummated.

3 Dominion Energy is also committed to addressing the recovery of costs  
4 associated with the NND Project in a manner that would give immediate and  
5 continuing relief to customers, and at the same time provide value to SCANA's  
6 shareholders. The Plan we have brought to this Commission provides a brighter  
7 future with greater certainty than any alternative we've seen to date.

8 The terms of the Customer Benefits Plan are set out in detail in the Joint  
9 Petition and in the testimony of Dominion Energy Witness Chapman. My  
10 testimony will address the Plan highlights. They include an up-front, one-time  
11 rate credit to SCE&G's customers totaling \$1.3 billion—believed to be the largest  
12 one-time utility to customer cash payment in the history of the United States. This  
13 translates to an estimated rate credit of \$1,000 per residential electric customer on  
14 average, and significantly more for larger consumers in the residential,  
15 commercial and industrial customer classes. The following chart presents the total  
16 rate credit amounts by customer classes, as well as some illustrative examples of  
17 the total rate credit amount for certain customer groups:

**CHART A**

<b>Customer Class</b>	<b>Total Rate Credit</b>
Residential	\$628 million
Industrial	\$299 million
Commercial	\$373 million
<b>Total</b>	<b>\$1.3 billion</b>
<b>Illustrative Customer Groups</b>	
State agencies <sup>1</sup>	\$36.6 million
Municipalities <sup>1</sup>	\$22.6 million
Churches <sup>1</sup>	\$2.6 million

This reflects what was proposed in the Joint Petition, however, Dominion Energy and SCE&G are receptive to changes in the administration and/or allocation of these payments.

The Plan also provides for a bill reduction for customers that is estimated to total approximately 7% for a typical residential bill. Approximately half of the bill reductions comes from a \$575 million refund pool to be underwritten by Dominion Energy to refund amounts previously collected and is estimated to remain in place for approximately eight years. The portion of the bill related to the NND Project will go to zero at the end of 20 years. The remaining amount of the bill reduction comes from returning to customers the benefit of the recent federal income tax reform. Following the combination, SCE&G also will exclude from rate recovery in total approximately \$1.4 billion in NND Project costs and approximately \$361 million in regulatory assets related to the NND Project, removing any future customer obligation for these costs. Together, these

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<sup>1</sup> Preliminary estimates.

1 commitments ensure there will be no future rate increases associated with the  
2 NND Project.

3 In addition, the acquisition cost of the partial replacement generation  
4 capacity for the NND Project—a \$180 million investment in the gas-fired  
5 Columbia Energy Center—will be absorbed by shareholders and not collected in  
6 rates. Finally, to further ensure rate stability, retail electric base rates will be  
7 frozen until at least January 1, 2021.

8 We believe that the Customer Benefits Plan is the clearly superior  
9 economic option for ratepayers compared to any prior proposals, including those  
10 previously offered by SCE&G. Taken as a whole, the Plan offers direct and  
11 indirect customer benefits of over \$12 billion—including payments to customers  
12 and avoided future costs. An important driver of these customer benefits is the  
13 shorter recovery period for the NND capital investment—reduced to 20 years from  
14 as many as 60 years. This over \$12 billion will remain in the state for the benefit  
15 of its citizens and is a value that SCANA cannot provide on its own.

16 Dominion Energy's commitments in connection with this combination also  
17 extend to SCE&G's employees and its continued presence as a South Carolina  
18 institution. SCE&G's headquarters will remain here, and its workforce will be  
19 financially protected until January 1, 2020. SCE&G's generous historical  
20 charitable giving levels—all funded by shareholders—also will be increased.  
21 Dominion Energy recognizes the significant role that public utilities play in the  
22 communities they serve, and will continue that role for SCE&G going forward.



1           In short, the proposed business combination, and the proposed multi-billion  
2           dollar investment by Dominion Energy in SCE&G and in South Carolina, will  
3           provide significant immediate and long-term benefits for SCE&G and its  
4           customers, employees and shareholders (many of whom are employees, retirees or  
5           other South Carolina citizens). It likewise benefits SCE&G's service territory and  
6           the state as a whole. Strong, financially viable utilities with an unclouded future  
7           are a catalyst for local investment, business generation and economic prosperity.  
8           This combination, including the associated Customer Benefits Plan and other  
9           requisite terms, is demonstrably in the public interest.

10   **Q.   WHAT RELIEF IS DOMINION ENERGY SEEKING IN THIS**  
11   **PROCEEDING?**

12   A.           As set forth in the Joint Petition, the Customer Benefits Plan and the  
13           closing of the merger itself depend on approval by the Commission with no  
14           material changes to the terms of the Customer Benefits Plan. The approval may  
15           take the form of a formal approval of the business combination, to the extent  
16           required under South Carolina law. Alternatively, the Parties have requested the  
17           Commission to enter a finding that the combination is in the public interest or that  
18           there is an absence of harm to South Carolina ratepayers as a result of the  
19           combination. Such a ruling or finding by the Commission is a condition of the  
20           closing of the merger.

**II. DOMINION ENERGY'S IDENTITY, MANAGEMENT AND  
EXPERIENCE**

**Q. PLEASE PROVIDE SOME BACKGROUND ABOUT DOMINION  
ENERGY.**

A. Dominion Energy is one of the largest producers and transporters of electricity and natural gas in the United States. As of December 31, 2017, Dominion Energy's portfolio of assets includes approximately 26,000 megawatts ("MW") of electric generating capacity, growing to more than 27,500 by year-end 2018; 64,500 miles of electric transmission and distribution lines; and 66,600 miles of natural gas transmission, gathering, distribution, and storage pipelines. As of December 31, 2017, Dominion Energy serves nearly six million utility and retail energy customers and operates one of the nation's largest underground natural gas storage systems, with approximately one trillion cubic feet of storage capacity. Dominion Energy has approximately 16,200 full-time employees in the states in which it operates. As a holding company, Dominion Energy owns direct and indirect subsidiaries that in turn own the properties through which their respective businesses are conducted. These subsidiaries are managed through three primary operating segments, which will be discussed in more detail by Dominion Energy Witness Blue.

**Q. WHAT IS DOMINION ENERGY'S FINANCIAL STATUS?**

A. Dominion Energy has deep financial resources. As of December 31, 2017, Dominion Energy's assets totaled \$76.6 billion and revenues in 2017 were \$12.6

1 billion. Additional details about Dominion Energy's financial status are addressed  
2 by Dominion Energy Witness Chapman.

3 **Q. PLEASE BRIEFLY DESCRIBE DOMINION ENERGY'S STATE**  
4 **REGULATED PUBLIC UTILITIES.**

5 A. Dominion Energy operates four major state regulated electric and natural  
6 gas utilities. Virginia Electric and Power Company (which does business in  
7 Virginia under the name "Dominion Energy Virginia" and in North Carolina under  
8 the name "Dominion Energy North Carolina"), The East Ohio Gas Company  
9 (which does business under the name "Dominion Energy Ohio"), Hope Gas, Inc.  
10 (which does business under the name "Dominion Energy West Virginia"), and  
11 Questar Gas Company (which does business in Utah under the name "Dominion  
12 Energy Utah," in Wyoming under the name "Dominion Energy Wyoming," and in  
13 Idaho under the name "Dominion Energy Idaho").

14 Dominion Energy also has other subsidiaries in the energy business. While  
15 they are not state regulated public utilities, they are engaged in aspects of the  
16 energy business, which contribute to Dominion Energy's breadth and depth of  
17 knowledge of the industry.

18 **Q. WHAT VALUES DOES DOMINION ENERGY EMPLOY IN**  
19 **CONNECTION WITH ITS OPERATIONS?**

20 A. Our mission at Dominion Energy is to serve our customers in a safe,  
21 reliable, and cost-effective manner, and to strengthen our communities, minimize

1 environmental impacts, reward our stockholders, and live our values. We execute  
2 on that mission through a set of four core values:

- 3 • **Safety** is our highest priority – in the workplace and in the community.  
4 The work we do can be challenging. Our fundamental goal is to send every  
5 employee home every day with zero injuries and to keep the communities  
6 in which we serve safe. SCE&G can expect customer, employee and public  
7 safety to be a priority for Dominion Energy.
- 8 • **Excellence** is our goal and expectation. We set high performance standards  
9 and are committed to continuous improvement in all areas of our business.  
10 The odds of long-term success improve when we go beyond “good” and  
11 strive for “great.” Our aim is not to be the biggest energy company, just the  
12 best.
- 13 • **Ethics**, meaning integrity, corporate responsibility to the environment and  
14 the community, individual responsibility and accountability, go hand-in-  
15 hand with bottom line results. We cannot and will not take shortcuts to  
16 achieve our goals and fulfill our obligations to stakeholders. Ethical  
17 behavior matters, and our reputation depends on it.
- 18 • **Teamwork** is a unifying outlook that transcends organizational boundaries  
19 and focuses on our shared mission and purpose. We know that strong,  
20 sustainable performance depends on how well we support each other in  
21 executing our business plan.

1 **Q. HAS DOMINION ENERGY BEEN RECOGNIZED FOR ITS**  
2 **OPERATIONS AND PERFORMANCE?**

3 A. Yes, it has. Over the past ten years, we have been recognized as either No.  
4 1 or No. 2 on *Fortune's* list of "Most Admired" electric and gas utilities. Among  
5 the reasons for that distinction is how we operate and maintain our assets, invest  
6 and allocate owner capital, and enhance our culture of safety and  
7 service. Dominion Energy has also been lauded as an excellent corporate citizen  
8 with its inclusion among *Forbes'* "Just 100" – which recognizes a variety of  
9 factors, including producing quality goods, treating customers well, minimizing  
10 environmental impact, supporting the communities served, and treating workers  
11 well. Part of that ethos as a good corporate citizen includes how we treat military  
12 veterans. Dominion Energy has received the highest honor from the U.S.  
13 Department of Defense for its support of employees who serve in the National  
14 Guard or Reserve – the Employer Support Freedom Award. We are routinely  
15 ranked among the top utilities by *Military Times Edge* as "Best for Vets" for the  
16 energy sector, and each year *GI Jobs* places our company as one of the Country's  
17 top "Military-Friendly Employers" and "Spouse-Friendly Employers."

18 Our commitment to safety, ethics, excellence and teamwork has made  
19 Dominion Energy a successful company, and I look forward to SCE&G being part  
20 of that success.

**III. PLAN FOR FUTURE OPERATIONS OF SCE&G AND COMBINATION  
COMMITMENTS AND BENEFITS**

**Q. PLEASE DESCRIBE DOMINION ENERGY'S PLANS FOR OPERATING  
SCE&G FOLLOWING THE COMBINATION.**

A. Following the combination, Dominion Energy plans to operate SCE&G in substantially the same manner as it is operated today, enhanced by Dominion Energy's broad and deep experience in the successful management of electric and gas facilities and systems. This includes maintaining SCE&G's corporate headquarters in Cayce, South Carolina, as I previously stated. Dominion Energy intends the combination to be about growth and has a track record for making capital investments required to provide safe, reliable and cost-effective service to customers. In addition, the Commission will continue to exercise its regulatory authority over SCE&G, thereby ensuring continued protection of the interests of South Carolina customers. Dominion Energy Witness Blue addresses the plans for operating SCE&G in more detail.

**Q. HOW WILL SCE&G BENEFIT FROM BEING PART OF DOMINION  
ENERGY?**

A. Dominion Energy has extensive experience operating electric and natural gas utilities. Together, the major public utility subsidiaries that I noted above currently serve over six million residential, commercial and industrial customers in regulated and retail markets. Dominion Energy's experience in owning and operating its public utility subsidiaries means that it comes to the merger with a

1 deep understanding of the responsibilities and general opportunities and  
2 challenges of current U.S. electric and gas utilities. Dominion Energy's directly  
3 applicable knowledge will benefit SCE&G.

4 **Q. IS DOMINION ENERGY MAKING ANY OTHER COMMITMENTS IN**  
5 **CONNECTION WITH THE COMBINATION?**

6 A. Yes. In addition to the Customer Benefits Plan I discussed previously,  
7 Dominion Energy is making a number of commitments that will benefit SCE&G,  
8 its customers, and the communities that they serve. Dominion Energy Witnesses  
9 Chapman and Blue will discuss the commitments made in the Joint Petition, all of  
10 which I affirm.

11 **Q. DOES DOMINION ENERGY HAVE ANY OTHER INVESTMENTS IN**  
12 **SOUTH CAROLINA?**

13 A. Yes. As I mentioned previously, over the last three years, Dominion  
14 Energy has invested more than \$750 million in natural gas infrastructure and  
15 renewable energy projects in South Carolina. This investment has included  
16 significant growth projects each year to improve regional gas service in the state.  
17 Today, Dominion Energy Carolina Gas Transmission owns and operates 1,500  
18 miles of interstate natural gas pipelines with facilities in 32 counties in South  
19 Carolina.

20 Dominion Energy also has invested in two solar energy projects in the State  
21 that came online last year. The Solvay Solar Energy Facility, a 71.4 MW (AC)  
22 solar facility located in Jasper County near Ridgeland, South Carolina, entered

1 commercial operation in December 2017. The Ridgeland Solar Project, a 10 MW  
2 (AC) solar facility in Ridgeland, entered commercial operation in June 2017.

3 Dominion Energy is an active, engaged corporate citizen in South Carolina  
4 and looks forward to being a strong partner with SCE&G in the future to serve the  
5 needs of its customers.

#### 6 IV. CONCLUSION

#### 7 Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

8 A. It is my firm belief that the combination and the merger-related Customer  
9 Benefits Plan are in the public interest and will benefit SCE&G, its customers, and  
10 the State of South Carolina. Dominion Energy is a strong and well-financed  
11 company that is committed to the safe, reliable, cost-effective, and  
12 environmentally-responsible provision of utility service to its customers. The  
13 proposed combination, and the proposed multi-billion dollar investment by  
14 Dominion Energy in SCE&G and South Carolina, will provide significant short-  
15 term and long-term benefits for SCE&G and its customers, employees and  
16 shareholders. It will also provide benefits to SCE&G's service territory and the  
17 state as a whole by ensuring the utility remains strong and financially viable.  
18 Further, the combination will continue and support the state's economic  
19 development efforts and its position as an excellent place to do business.  
20 Dominion Energy has the financial strength and the will to make it happen, and to  
21 ensure there is a strong energy partner ready to continue serving South Carolina.



1 **Q. WHAT ARE YOU ASKING THE COMMISSION TO DO REGARDING**  
2 **THE JOINT PETITION?**

3 Dominion Energy is asking the Commission to approve the business  
4 combination with SCANA with no material changes to its terms if the  
5 Commission determines that formal approval of the combination is appropriate  
6 under S.C. Code Ann. § 58-27-1300 or any other applicable law. Alternatively, if  
7 the Commission determines that formal approval of the combination is not  
8 required, Dominion Energy is asking the Commission to find that: (i) the  
9 combination is in the public interest; or (ii) there is an absence of harm to South  
10 Carolina ratepayers as a result of the combination.

11 Dominion Energy looks forward to being able to invest in the future of  
12 SCE&G, focusing on the objectives of safety, customer satisfaction, reliable  
13 economic service, environmental stewardship and collaborative and productive  
14 relationships with customers, regulators and other governmental entities and  
15 interested stakeholders.

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes, it does.